

Message Text

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11

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02

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R 200631Z AUG 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 5584

INFO AMCONSUL BOMBAY

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DEPT. PASS OPIC FOR ELLA HAWKINS

E.O. 11652: N/A

TAGS: EINV, CE, OPIC

SUBJECT: INVESTMENT INSURANCE (OPIC FORM NO. 50)

REF: HAWKINS MEMO OF AUGUST 10, 1976

1. BACKGROUND: CITIBANK HAS BEEN ACTIVELY PURSUING THE ESTABLISHMENT OF A BRANCH IN SRI LANKA SINCE 1973. ITS FIRST APPLICATION, MADE IN SEPTEMBER 1974, WAS INFORMALLY BLOCKED BY FINANCE MINISTER N. M. PERERA. WITH THE SEPTEMBER 1975 REPLACEMENT OF PERERA BY FELIX BANDARANAIKE, AND FOLLOWING MINISTER BANDARANAIKE'S NOVEMBER 1975 BUDGET SPEECH WELCOMING FOREIGN BANKS, CITIBANK SUBMITTED A NEW APPLICATION IN MARCH THIS YEAR. TO DATE, GSL HAS TAKEN NO ACTION ON SECOND APPLICATION. CITIBANK'S APPLICATION IS PUBLIC KNOWLEDGE AND HAS COME UNDER HEAVY FIRE FROM LEFTIST PRESS. IT NOW APPEARS THAT GSL DECISION ON CITIBANK WILL BE DEFERRED UNTIL AFTER ELECTIONS WHICH SHOULD BE HELD EARLY NEXT YEAR.

2. EMBASSY STATEMENT ABOUT NATURE AND PURPOSE OF PROPOSED INVESTMENT: IN ITS SECOND APPLICATION LETTER,
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CITIBANK OFFERS TO ASSIST IN ATTRACTING FOREIGN INVEST-

MENT, TO PROMOTE EXPORTS, TO RAISE FINANCING FOR INDUSTRY,
TO PROVIDE MERCHANT BANKING SKILLS AND TO ASSIST
LOCAL BANKS. IT IS THE EMBASSY'S UNDERSTANDING THAT,
IF AND WHEN THE APPLICATION IS APPROVED, CITIBANK
WOULD BE LIMITED TO ONE BRANCH OFFICE IN COLOMBO AND
WOULD BE PROHIBITED FROM ENGAGING IN RETAIL BANKING IN
COMPETITIO WITH LOCA BANKS.

3. EMBASSY COMMENTS ON PROBABLE BENEFITS TO SRI LANKA:
THE EMBASSY BELIEVES THAT THE PRESENCE OF ONE OR MORE
AMERICAN BANKS IN SRI LANKA WOULD BE A POSITIVE CO-
TRIBUTION TO THE COUNTRY'S ECONOMY. A LARGE INTERNAT-
IONAL BANK, SUCH AS CITIBANK, COULD BE OF GREAT ASSIST-
ANCE IN ENCOURAGING FOREIGN INVESTMENT AND IN
MOBILIZING FINANCIAL SUPPORT FOR BOTH THE PUBLIC AND
PRIVATE SECTORS.
REED

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